

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-08
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INFO ALL EC CAPITALS

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USEEC

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SUBJECT: EC COMMISSION EMU ACTION PROGRAM FOR 1978

REFS: (A) 77 BRUSSELS 17971, (B) 77 BRUSSELS 17122,
(C) 77 BRUSSELS 16968

1. SUMMARY: THE EC COMMISSION HAS DRAWN UP AN EMU
"ACTION PROGRAM" FOR 1978, AND SUBMITTED IT TO THE
COUNCIL. THE PROGRAM INCLUDES: MEASURES TO STRENGTHEN
ECONOMIC POLICY COORDINATION; THE REMOVAL OF SOME
REMAINING BARRIERS TO THE FREE MOVEMENT OF GOODS AND
SERVICES WITHIN THE COMMUNITY; TAXATION AND COMPANY LAW
HARMONIZATION MEASURES AND MERGER CONTROL; AND INDUSTRIAL
AND STRUCTURAL (INCLUDING ENERGY) POLICIES.

2. THE EMU ACTION PROGRAM CONSISTS LARGELY OF PREVIOUS
PROPOSALS, SOME SEVERAL YEARS OLD, TO IMPROVE POLICY
COORDINATION AND TAKE FURTHER STEPS TOWARDS EC
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ECONOMIC INTEGRATION. IT TAKES A CAUTIOUS APPROACH
IN THE MONETARY AREA, WITH VIRTUALLY NOTHING BEYOND
THE STATED INTENTION TO STUDY WAYS TO IMPROVE COORDINATION
OF NATIONAL MONETARY POLICIES AND INCREASE COHESION
BETWEEN SNAKE AND NON-SNAKE CURRENCIES. THE MISSION
COMMENTS ON THE CONTRAST BETWEEN THE AMBITIOUS VISION
OF PRESIDENT JENKINS AND THE CAUTIOUS SPECIFIC PROPOSALS

OF THE COMMISSION. END SUMMARY

3. THE EC COMMISSION HAS ISSUED ITS ECONOMIC AND MONETARY UNION (EMU) "ACTION PROGRAM" FOR 1978. (THIS SHOULD NOT BE CONFUSED WITH THE BROADER ANNUAL WORK PROGRAM FOR 1978 TO BE REPORTED SEPARATELY.) IN ITS NOVEMBER COMMUNICATION ON EMU TO THE EUROPEAN COUNCIL (REF B) THE COMMISSION HAD PROPOSED PROGRESSING TOWARDS EMU BY MEANS OF A 5-YEAR ROLLING PROGRAM. ALTHOUGH THE EUROPEAN COUNCIL (REF A) GAVE NO SPECIFIC ENDORSEMENT TO THIS PROCEDURE, THE COMMISSION WENT AHEAD TO PREPARE A LIST OF HIGH PRIORITY MEASURES IT FEELS SHOULD BE ADOPTED DURING 1978. CONSISTING LARGELY OF PREVIOUS PROPOSALS, SOME SEVERAL YEARS OLD, THE PROGRAM IS DESIGNED, SAYS THE COMMISSION, TO HELP PAVE THE WAY FOR EMU WHILE AT THE SAME TIME CONTRIBUTING TO SOLUTIONS TO THE CURRENT EUROPEAN ECONOMIC CRISIS.

4. THE COMMISSION'S PROPOSAL FOLLOWS THE OUTLINE OF THE EARLIER COMMUNICATION (REF B), WITH ONE SECTION DEVOTED TO MEASURES TO IMPROVE CONVERGENCE OF THE EC ECONOMIES, ANOTHER TO REMOVING REMAINING BARRIERS TO A SINGLE MARKET, A THIRD TO STRUCTURAL POLICIES (INCLUDING ENERGY) AND A FOURTH TO SOCIAL POLICY. A COPY OF THE PROPOSAL IS BEING POUCHED TO EUR/RPE. HIGHLIGHTS AND MISSION COMMENTS FOLLOW.
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5. TO ACHIEVE LASTING CONVERGENCE AMONG EC ECONOMIES (A PREREQUISITE TO PROGRESS TOWARDS EMU) AND AN IMPROVEMENT IN GENERAL ECONOMIC PERFORMANCE, THE COMMISSION ARGUES THAT THE PROCEDURES FOR COORDINATION OF SHORT-TERM POLICIES NEED TO BE STRENGTHENED. IT CALLS FOR A MORE CONTINUOUS COMMUNITY MONITORING OF ECONOMIC PROSPECTS AND POLICIES, MAKING GREATER USE OF THE COORDINATION COMMITTEE BETWEEN FINANCE COUNCIL SESSIONS AND REFERS TO ITS PREVIOUS COMMUNICATION ON POLICY COORDINATION OF LAST OCTOBER (REF C). THE COMMISSION'S MAJOR CONCERN IS TO IMPROVE THE COORDINATION OF NATIONAL MONETARY POLICIES, WHICH HAS LAGGED BEHIND THE COORDINATION OF BUDGETARY POLICIES. THE MONETARY COMMITTEE AND THE COMMITTEE OF CENTRAL BANK GOVERNORS ARE STUDYING THIS AREA, AND THE COMMISSION WILL LATER SUBMIT FINAL PROPOSALS TO THE COUNCIL.

6. THE COMMISSION REFERS TO THE NEED TO RESTORE COHERENT EXCHANGE-RATE RELATIONSHIPS BOTH WITHIN THE COMMUNITY, AND WITH CURRENCIES OF NON-MEMBER COUNTRIES. TO THIS END THE SNAKE SHOULD BE PRESERVED (WITH THE HOPE THAT THE

INDEPENDENTLY FLOATING CURRENCIES MAY ONE DAY RETURN)
WHILE IMPROVED COORDINATION AND CONVERGENCE MIGHT MAKE
POSSIBLE GREATER COHESION BETWEEN SNAKE AND NON-SNAKE
COUNTRIES. THE COMMISSION PRESENTS NO CONCRETE PROPOSALS
IN THIS AREA, CONTENTING ITSELF WITH A REFERENCE TO
WORK ON EXCHANGE RATES BEING CARRIED OUT IN THE MONETARY
AND CENTRAL BANK GOVERNORS COMMITTEES, AND THE POSSIBILITY
THAT THE COMMISSION MAY PRESENT PROPOSALS IN DUE COURSE.
(COMMENT: THUS IT WILL BE SEEN THAT IN THE AREAS MOST
CLOSELY RELATED TO MONETARY UNION, THE COMMISSION HAS
NOT FELT ITSELF READY TO MAKE ANY NEW CONCRETE PROPOSALS.)

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7. THE DOCUMENT GOES ON TO SET OUT MEASURES TO FURTHER
FREE THE MOVEMENT OF GOODS AND SERVICES, ASKING THE
COUNCIL TO ACT IN 1978 ON SEVERAL PROPOSALS ALREADY
BEFORE THE COUNCIL, INCLUDING MEASURES TO HARMONIZE
CUSTOMS PROCEDURES, REMOVE TECHNICAL BARRIERS TO TRADE,
AND TO COORDINATE REGULATION OF SECURITIES MARKETS AND
INSURANCE. THERE IS A VAGUE PROMISE TO ENCOURAGE FURTHER
LIBERALIZATION OF CAPITAL MOVEMENTS, BUT NO MENTION
(AS THERE WAS IN THE NOVEMBER COMMUNICATION) OF A COMMON
REGIME TOWARDS CAPITAL MOVEMENTS TO AND FROM THIRD
COUNTRIES. OTHER EXISTING DIRECTIVES ON TAX HARMONIZATION;
COMPANY LAW, AND MERGER CONTROL ARE GIVEN A PUSH. THE
COMMISSION FEELS IT IS AS YET TOO SOON TO MAKE PRECISE
PROPOSALS ON HARMONIZING VAT RATES.

8. INDUSTRIAL POLICIES ARE ALSO INCLUDED IN THE EMU PROGRAM, INCLUDING INDUSTRIAL INTERVENTION IN STEEL, TEXTILES, AND SHIPBUILDING, IDENTIFICATION AND DEVELOPMENT OF GROWTH SECTORS, ENERGY POLICY, AGRICULTURAL STRUCTURE LIMITED OFFICIAL USE

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POLICY, AND INVESTMENT POLICY (INVESTMENT AIDS AND PROTECTION OF INVESTMENT IN LDC'S). FINALLY, SOCIAL AND EMPLOYMENT POLICY IS ALSO TREATED. SINCE THESE SECTIONS MERELY SUMMARIZE GENERAL COMMISSION AIMS, ACTIVITIES, AND EXISTING PROPOSALS, AND SINCE THEY ARE ONLY LOOSELY RELATED TO THE CORE OBJECTIVES OF EMU, THEY ARE NOT DISCUSSED FURTHER IN THIS MESSAGE.

9. COMMENT: ALTHOUGH LABELED AS AN EMU ACTION PROGRAM, THE PRESENT DOCUMENT IS LARGELY A DIVERSE COLLECTION OF PREVIOUS COMMISSION PROPOSALS, PLACED UNDER THE EMU UMBRELLA TO GIVE THEM PRIORITY AND HOPEFULLY NEW IMPETUS. MOST HAVE LITTLE TO DO WITH THE CENTRAL OBJECTIVE OF MONETARY UNION, BUT MOST CAN BE REASONABLY RELATED TO EMU IN ITS BROADER ASPECTS.

10. THERE ARE NO SIGNS HERE OF AMBITIOUS OR IMAGINATIVE STEPS AIMED AT DEFINING THE FORM TO BE TAKEN BY ULTIMATE MONETARY UNION, OR AT A MAJOR ACCELERATION OF THE PROCESS TOWARDS THAT KEY AIM WHICH PRESIDENT JENKINS HAS BEEN PERSUASIVELY ARGUING WOULD BRING SUCH MAJOR BENEFITS TO THE COMMUNITY. AS FAR AS CONCRETE COMMISSION PROPOSALS ARE CONCERNED, THE CAUTIOUS AND GRADUALIST APPROACH IS CLEARLY PREDOMINANT FOR THE TIME BEING.

11. PRESIDENT JENKINS WILL NO DOUBT CONTINUE HIS VIGOROUS CAMPAIGN OF PUBLIC EDUCATION ON THE BENEFITS OF FULL EMU (WITH THE EMPHASIS ON MONETARY UNION), HOPING TO BUILD A BASE OF PUBLIC SUPPORT WHICH CAN HELP TO OVERCOME OFFICIAL INDIFFERENCE OR SKEPTICISM IN SOME NATIONAL CAPITALS. THIS IS NOT PROVING TO BE LIMITED OFFICIAL USE

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AN EASY TASK, BUT UNTIL THIS BASE IS ESTABLISHED MORE AMBITIOUS COMMISSION PROPOSALS WOULD HAVE LITTLE CHANCE OF SUCCESS.

12. IN THE MEANTIME, THE COMMISSION SEEMS TO BE USING THE RE-EMPHASIS ON THE ULTIMATE GOAL OF EMU AS A RALLYING POINT FOR MANY DIVERSE PROPOSALS WHICH, WHILE WORTHWHILE IN THEIR OWN RIGHT, ARE IN SOME CASES ONLY DISTANTLY RELATED TO THE CORE OBJECTIVES OF EMU. THE DANGER, AS EVERY COMMISSION DEPARTMENT TRIES TO GET ITS PET PROPOSAL CROWDED IN UNDER THE EMU UMBRELLA, IS OF LOSING SIGHT OF WHAT IS NEW AND IMPORTANT IN THE EMU INITIATIVE. ON THE OTHER HAND, IF COMMISSION EFFORTS CONTRIBUTE TO BETTER POLICY COORDINATION AND IMPROVED ECONOMIC CONVERGENCE AND PERFORMANCE, THEY MAY HASTEN THE DAY WHEN MR. JENKINS' VISION MIGHT BE ATTAINABLE. HINTON

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